

Shrimant Padmaraje R. Kadambande v. Commissioner of Income Tax, Pune

Civil Appeal Nos. 2201–2203 of 1979

[1992] 2 SCR 705 | 1992-04-22

Whether compassionate payments made after abolition of the assessee's former cash allowance were income under section 2(24), merely because they were periodic and the sanction subsequently became enforceable.

2(24) | 10(3), historical alternative contention below; no separate Supreme Court exemption ruling

Two-judge bench | S. Mohan, J. | G.N. Ray, J.

Assessment years: 1963-64, 1964-65, 1965-66, 1966-67, 1967-68, 1968-69, 1969-70, 1970-71

Historical compassionate grant; no blanket periodic-payment exemption

Capital treatment rests on the extinguished allowance and the particular discretionary compassionate-grant scheme. It does not exempt every maintenance payment, Government grant or gift, and section 10(3) was not independently decided. The judicial appeal groups cover AYs 1963–64 through 1970–71. Printed Huzur-order and sanction-letter dates conflict; no source correction is invented. Comprehensive later treatment, later deeming provisions and current-law/2025 mapping remain unverified.

01 FACTS OF THE CASE

The assessee, the daughter of the former Kolhapur ruler, had received a cash allowance of Rs 3,000 per month from 1 April 1947. That allowance was discontinued following the 1955 abolition legislation, which extinguished the earlier alienation rights. She applied on 23 May 1958 under proviso (d) to section 15(1). The Government sanctioned a compassionate payment of Rs 3,000 per month from 1 August 1956 during her lifetime, subject to conditions. The account also refers to Rs 10 lakh of trust property misappropriated at the Bank of Kolhapur and conditions for reducing the allowance; it does not supply a separate tax claim for that loss (physical pages 5 and 10–13).

For AYs 1963–64 and 1964–65, the stated receipts were Rs 36,000 and Rs 33,992. The ITO rejected the capital-receipt contention. Before the AAC, the assessee alternatively contended that the receipts were capital or exempt under the historical section 10(3); the AAC and Tribunal rejected both contentions. The High Court likewise treated the receipts as income. Three Supreme Court appeals covered AY 1970–71 in No. 2201/1979, AYs 1965–66 through 1969–70 in No. 2202/1979, and AYs 1963–64 and 1964–65 in No. 2203/1979. No receipt figures are supplied for the other years (physical pages 5–7).

Source: See the proposition-specific paragraph and PDF-page references below.

02 DISCUSSION BY THE HON'BLE COURT

The Court treated the nature and quality of the receipt as decisive, rather than its label or frequency. It read the earlier formulations about regular returns from a source in their factual settings, drawing on *Raghuvanshi Mills*, *Sivaram Prasad* and *P.H. Divecha*. It did not adopt a universal requirement that only recurring payments can be income, or that a payment called compensation must be capital (physical pages 9–10 and 17–18).

The old allowance had been extinguished. Section 15(1)(i)–(iii) prescribed compensation as of right for specified categories, whereas proviso (d) required an application and the Government's satisfaction concerning the applicant's circumstances. The Court construed the latter payment as compassionate and discretionary, rather than a continuation of an existing statutory entitlement. The fact that an enforceable claim might arise after sanction did not change the nature of the original grant. Nor did an application seeking maintenance, or monthly disbursement, establish revenue character (physical pages 11–15 and 18–20).

Raja Rameshwara Rao concerned interim maintenance allowances under a different statutory scheme and did not control this receipt. *Butterley* had proceeded on a concession about income character, so it could not resolve the present capital/revenue issue. The Court accepted the comparison with the voluntary allowance in *Maharani Vijaykuverba*, while remaining concerned with the character of this particular Government payment. It rejected treating the enabling application provision as a real income-producing source on these facts (physical pages 14–20).

The Court also addressed the compensation heading. A marginal heading cannot override clear statutory language, and the mere presence of discretion does not make a receipt revenue. Its conclusion followed the actual extinguishment, application, sanction and compassionate-payment setting, not the heading alone. The later discussion of *Kamal Behari Lal* concerns the character of receipts in the recipient's hands; the dividend and land-acquisition amounts in that quoted authority are not transactions of this assessee (physical pages 19–21).

Source: See the proposition-specific paragraph and PDF-page references below.

03 JUDICIAL DECISION

The Court held the payments for the financial years in question to be capital receipts outside income under section 2(24). It set aside the High Court judgment and allowed all three appeals, with no order as to costs. It did not direct a remand, quantify a fresh refund or separately decide the alternative section 10(3) claim (physical page 21, read with the appeal-year allocation on pages 6–7).

Source: See the proposition-specific paragraph and PDF-page references below.

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Civil Appeal Nos. 2201–2203 of 1979 allowed; High Court judgment set aside; no costs

Final capital-receipt determination under the historical section 2(24) setting for all stated appeal years

No universal exemption for Government support, gifts, maintenance, compensation or recurring payments. No ruling on later deeming provisions or present gift-taxability rules.

Source: See the proposition-specific paragraph and PDF-page references below.

05 AKHB REVIEW POINT

Distinguish an extinguished entitlement from the legal and factual foundation of a new payment. A recurring disbursement can retain capital character, but neither periodicity nor the word compensation answers the question by itself. Examine the statute, the conditions for applying, the sanction and what the recipient has actually received.

This authority concerns an unusual historical abolition and compassionate-grant scheme. It does not mean every discretionary payment or Government grant is outside income. The broader inclusive definition and any later provisions taxing specified receipts must be checked for the relevant year. Keep quoted precedents' facts separate, preserve the express appeal-year groups, and do not treat the alternative section 10(3) argument below as a separate Supreme Court holding. Comprehensive later treatment and 2025 Act mapping remain unverified.

Source: See the proposition-specific paragraph and PDF-page references below.

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, bench, common appeal group and author

Source url: [Open cited source](#)

Pdf pages: 1; 4

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: reported metadata and judicial text

2.

Topic: Historical allowance, receipts and source-date conflicts

Source url: [Open cited source](#)

Pdf pages: 5; 10; 13

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

3.

Topic: Lower proceedings and exact appeal-year allocation

Source url: [Open cited source](#)

Pdf pages: 6; 7

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

4.

Topic: Inclusive income concept and limits of periodicity reasoning

Source url: [Open cited source](#)

Pdf pages: 9; 10

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

5.

Topic: Extinguishment and full section 15 statutory setting

Source url: [Open cited source](#)

Pdf pages: 11; 12; 13

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

6.

Topic: Distinct maintenance precedent and enforceability after sanction

Source url: [Open cited source](#)

Pdf pages: 14; 15; 16; 17; 18

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

7.

Topic: Nature of receipt, compensation heading and voluntary payment reasoning

Source url: [Open cited source](#)

Pdf pages: 18; 19; 20

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

8.

Topic: Separately attributed dividend authority and operative allowance

Source url: [Open cited source](#)

Pdf pages: 20; 21

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S. Mohan, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

OTHER PROVISIONS AND THEIR DISTINCT SCOPE

Bombay Merged Territories Miscellaneous Alienations Abolition Act, 1955: sections 2, 4 and 15(1), particularly proviso (d)

SOURCE & VERIFICATIONHon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 21 PDF pages; SHA-256

bef8bfcef07faa0e8781b8d2b1e82e1fef8f04999c9ef14e3ab58f17cc75606b. Original bytes preserved.

Complete unnumbered judicial text from physical page 4/SCR 708 to page 21/SCR 725; earlier editorial material separated. All 21 text pages read and 13 material images checked. Quoted earlier judgments are attributed separately; no neighbouring judgment.

Open cited source rendition

The opening at physical page 5 prints the Huzur order date as 8 April 1974 while the Court's later factual summary at page 10 prints 8 April 1947. The commencement is consistently 1 April 1947. The scan confirms both; no corrected original order is invented.; The sanction letter is described as 6 October 1959 on physical page 5 and 6 April 1959 on page 13. Both are printed source dates. The note does not choose a verified calendar date for the letter.; The reference question on page 6 itself prints 1922 (sic) (1961). The judicial issue and final holding expressly apply section 2(24) of the 1961 Act; this is not a 1922-only case.; The paraphrase at page 13 says engaged in earning a livelihood, whereas the statutory quotation at page 12 refers to incapacity or inability to maintain oneself reasonably. The note follows the quoted provision and does not reproduce the contradictory paraphrase as the statutory test.; The synopsis mentions years through 1969–70, but the judicial appeal allocation expressly includes AY 1970–71 in CA 2201/1979. The note preserves the judicial eight-year span.; The quoted old allowance, jagir management, insurance and dividend cases are earlier precedents. Their amounts and transactions are not added to the assessee's facts.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or present-law certification. Apply the statutory text for the relevant year.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment search is certified. Any actually checked later judgment or statute is expressly identified in this note.

IDENTIFIED SOURCE LINKSreported judgment - PDF pages: 21

SHA-256: bef8bfcef07faa0e8781b8d2b1e82e1fef8f04999c9ef14e3ab58f17cc75606b

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